
# A DEPTH OF Opportunities

CORDERO ENERGY INC

ANNUAL REPORT 2006

# 2006 HIGHLIGHTS

| | 2006 | 2005 [1] |
|---|---|---|
| **FINANCIAL** | | |
| Gross oil and natural gas revenue ($000s) | 44,900 | 22,431 |
| Funds flow from operations [2] ($000s) | 29,418 | 13,884 |
| Per share basic ($) | 0.93 | 0.52 |
| Per share diluted ($) | 0.87 | 0.48 |
| Net earnings ($000s) | 4,675 | 4,526 |
| Per share basic ($) | 0.15 | 0.17 |
| Per share diluted ($) | 0.14 | 0.16 |
| Net capital expenditures ($000s) | 85,538 | 41,617 |
| Net debt and working capital [3] deficiency ($000s) | 31,684 | 4,068 |
| Shares outstanding (000s) | | |
| At period-end | 33,823 | 29,725 |
| Weighted average during period, basic | 31,603 | 26,795 |
| Weighted average during period, diluted | 33,767 | 28,979 |
| **OPERATING** | | |
| Production | | |
| Natural gas (MMcf/d) | 17.8 | 9.4 |
| Oil and natural gas liquids (bbls/d) | 139 | 8 |
| Total (boe/d) (6:1) | 3,103 | 1,574 |
| Average wellhead prices | | |
| Natural gas ($/Mcf) | 6.36 | 9.69 |
| Oil and natural gas liquids ($/bbl) | 71.02 | 69.11 |
| Oil equivalent ($/boe) (6:1) | 39.65 | 58.18 |
| Operating expenses ($/boe) (6:1) | 3.55 | 5.67 |
| Wells drilled (gross/net) | | |
| Natural gas | 58/51.5 | 51/44.0 |
| Oil | 2/2.0 | 1/1.0 |
| Dry | 5/5.0 | 1/1.0 |
| Total | 65/58.5 | 53/46.0 |
| Net success rate (%) | 91 | 98 |
| Undeveloped land holdings (000s) | | |
| Gross acres | 131 | 74 |
| Net acres | 123 | 62 |
| Average working interest (%) | 94 | 84 |

(1) Represents the 246-day period from commencement of operations on April 30, 2005 to December 31, 2005.

(2) Funds flow from operations (funds flow) represents cash flow from operating activities before changes in operating working capital and asset retirement expenditures. It does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies.

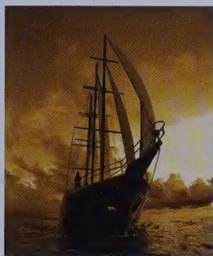
(3) Net debt and working capital represents current assets less current liabilities, debt and capital lease obligations. It does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies.

Note: Cordero's annual audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2006 are included in the Company's 2006 Renewal Annual Information Form which is available on www.sedar.com and www.corderoenergy.com



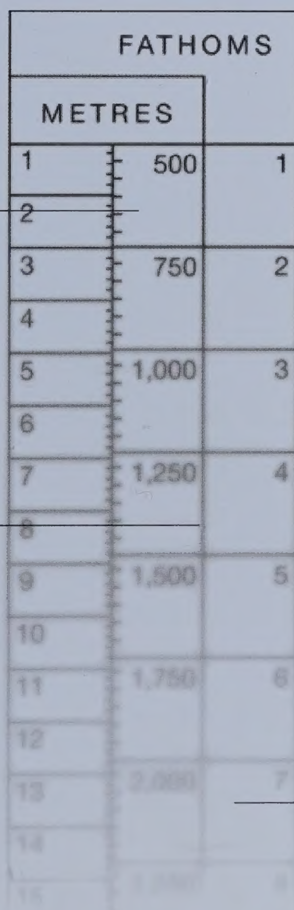
**Annual General Meeting**

The Annual General Meeting of Shareholders will be held at 3:00 p.m. Mountain Daylight Time on Thursday, May 3, 2007 in the Royal Room of the Metropolitan Conference Centre, 333 - Fourth Avenue S.W., Calgary, Alberta.



Cordero was named after Cordero Point and Cordero Channel on the British Columbia coast. Josef Cordero, a survey draftsman and crewmember of the Spanish sailing vessels *Sutil* and *Mexicana*, explored this area in 1792.

# DEPTH OF *opportunities*




Cordero offers exciting growth potential with low risk development at Malmo, Alberta and exposure to higher impact exploration in central and northwest Alberta.

**CONVENTIONAL EXPLORATION AND DEVELOPMENT**

The Company is focused on applying its technical experience and strengths in areas with multi-zone potential, primarily in central and northwestern Alberta.

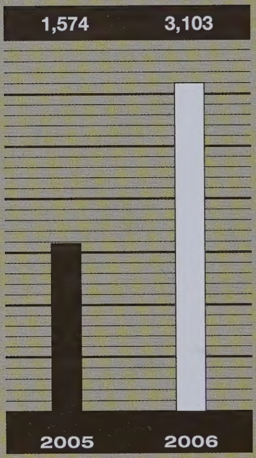
**MALMO**

Cordero has assembled an inventory of more than 130 drilling locations on its lands, many with stacked zone potential. Cordero's dominant land position, operated facilities and extensive gathering system help to improve the economics of new resource opportunities in the area.

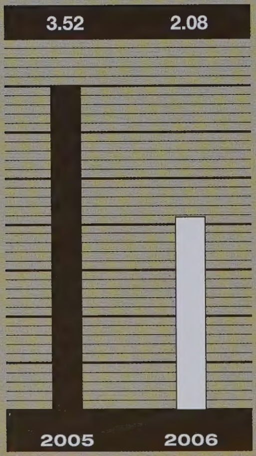
# DEPTH OF *performance*

One of the lowest cost operators in the Western Canada Sedimentary Basin.

Production growth through the drill bit.




**AVERAGE PRODUCTION**
*(boe/d)*




**GENERAL & ADMINISTRATIVE**
*($/boe)*

**PRODUCTION**

100 percent of Cordero's production growth in 2006 was achieved through the drill bit.

**OPERATING COSTS**

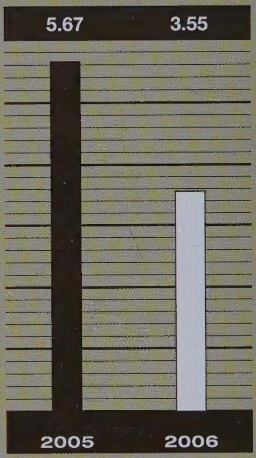
Operating costs are among the lowest in the industry due to the operated, high working interest facilities and concentrated land base.

**STAFF**

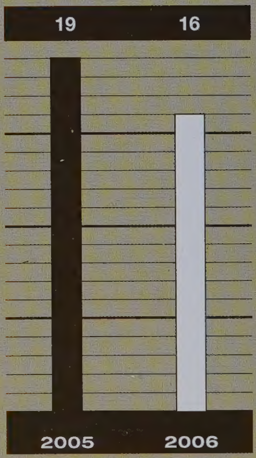
Cordero grew its production base in 2006 with minimal increase to G&A and has the staff in place to execute its growth plans for 2007 and beyond.

**ROYALTIES**

Corporate royalty rates are low relative to industry peers, which contribute to higher netbacks.



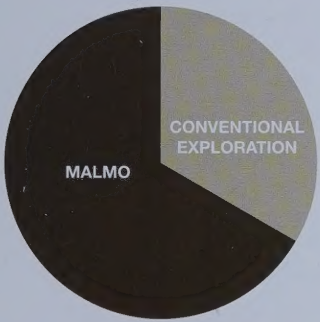

**OPERATING COSTS**
*($/boe)*




**ROYALTY RATE**
*(% of total revenue)*

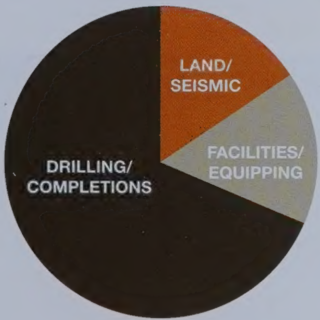
Capital expenditures for 2007 are being allocated to ongoing development activities at Malmo, Alberta and conventional activities in Central Alberta and the Peace River Arch. Capital expenditures for the year are forecast at $50-$55 million and are expected to be financed with the existing credit facility and cash flow.

## 2007 outlook




CAPITAL SPENDING BY AREA

Budgeted capital is allocated approximately two-thirds to Malmo and one-third to the conventional program. The Company maintains flexibility in its plans in order to reallocate, expand or contract its program to accommodate new opportunities or changing commodity prices.




CAPITAL SPENDING BY ACTIVITY

The Company made significant investments in land and facilities during 2006, providing the foundation for higher capital spending on drilling in 2007.

### STRATEGIES

1. Apply technical experience and strengths.
2. Focus primarily in central Alberta and Peace River Arch.
3. Pursue areas with multi-zone potential.
4. Pursue complementary acquisitions in a low commodity price environment.

### MITIGATE RISK BY

1. Managing cost of entry into new areas.
2. Balancing portfolio between development and exploration.
3. Spreading risk over multiple wells.
4. Using partners to reduce financial and technical risk.

# PRESIDENT'S *message*

I am pleased to report on the progress that Cordero has made during 2006, and to reflect on the challenges that Cordero and the natural gas industry are facing as we move into 2007.

## 2006 HIGHLIGHTS

- Cordero's production averaged 3,103 boe/d in its first full year, representing a 97 percent increase over 2005.
- Proved plus probable reserves grew 38 percent to 13.3 million boe from 9.6 million boe at December 31, 2005.
- On a proved plus probable basis, finding, development and acquisition (FD&A) costs for 2006 were $17.80/boe and including provision for the change in future capital were $19.33/boe. FD&A costs since inception for proved plus probable reserves were $13.61/boe and including a provision for the change in future capital were $15.96/boe.
- Cordero replaced 2006 production by a factor of 4.2 times based on proved plus probable reserves.
- The Company established an 11.6 year reserve life index (proved plus probable) using 2006 fourth-quarter annualized average production of 3,150 boe/d.
- Net asset value (NAV) at December 31, 2006 was $6.79/diluted share based on proved plus probable reserves discounted at 10 percent before tax and using prices at December 31, 2006 from the Company's independent reserves evaluator. The net asset value includes $150/acre for undeveloped land and net debt of $31.7 million.
- The Company doubled its undeveloped land position during the year from 61,600 net acres to 122,870 net acres.

## FOLLOWING OUR STRATEGY

Since inception in April 2005, Cordero's underlying business strategy included developing and expanding the opportunities within the Horseshoe Canyon coalbed methane fairway from our key land base at Malmo; expanding the Company's growth potential through new exploration initiatives and acquisitions; and maintaining close control of our operating cost structure.

### MALMO, ALBERTA

During 2006, Cordero not only continued to successfully develop its Malmo land base, but also significantly expanded its landholdings to the south at Buffalo Lake through a series of Crown, freehold and third-party

## *thoughts on North American natural gas*

The natural gas business in North America was volatile in 2006. Prices at the AECO Hub reached highs of more than $15.00/Mcf at the beginning of the year and lows of $3.70/Mcf in October. Prices have recently begun to stabilize and are showing signs of strengthening, a trend that is primarily being driven by colder temperatures in the central and eastern United States and subsequent higher draws from natural gas storage facilities.

The trend of significant inflation in the cost of oilfield services continued in 2006, mainly driven by a very tight employment situation combined with unprecedented activity levels in the Western Canada Sedimentary Basin, especially within the oil sands sector. This situation, combined with lower natural gas prices, resulted in a gradual slowing of natural gas exploration and development activity in western Canada. We expect natural gas prices to continue to strengthen in the medium to longer-term as the North American supply-demand situation is rebalanced.

acquisitions. We increased and confirmed our resource potential in the area with the following initiatives:

- Mapped and drilled conventional zones that can be tested with the drilling of the Horseshoe Canyon at a marginal incremental cost;
- Completed two wells in the carbonaceous shale intervals between the Horseshoe Canyon intervals and confirmed that the sections are productive;
- Tested air drilling technology that will minimize formation damage and reduce drilling costs at northern Malmo where in situ water is a concern; and
- Applied slant hole and extended-reach drilling technology to reach reserves previously thought to be inaccessible.

The Company continues to add to its compression facilities and extensive gathering system in the area. Cordero's dominant land position and facilities have helped to improve the economics of new resource opportunities as the Company continues to expand in this area.

We are continuing to implement our growth strategy for Malmo. Cordero now has more than 130 locations in its shallow natural gas drilling inventory, which includes many locations with stacked potential. We will continue to apply our geological, operational, technical and land knowledge to expand Malmo and to identify and pursue additional opportunities along the Horseshoe Canyon fairway.

**CONVENTIONAL EXPLORATION PROGRAM**

In keeping with its growth strategy, Cordero assembled a portfolio of conventional drilling prospects with varying levels of risk and reward to complement the Malmo development project. The Company brought several wells on-stream in 2006, including two at Willesden Green and one at Karr, Alberta. Conventional production outside of Malmo was 380 boe/d at the end of 2006. The Company added 67,000 net acres of undeveloped land outside of Malmo during the year, significantly increasing its opportunity base.

Cordero tested prospects in two new exploration areas during 2006, including several high-risk prospects with significant resource potential in northern Alberta. The prospects included three wells that were successfully completed for natural gas potential at Clear Hills, Bonanza and Colorado. The discoveries are in winter access areas where infrastructure is limited. We will evaluate the results and formulate a plan for the next winter drilling season.

At Bigoray, the Company mitigated its financial risk by entering into a farm-out agreement with a third party to drill three wells testing a Nisku concept. Two wells were dry and abandoned and a third well has yet to be drilled.

Cordero has more than 25 net conventional exploration and development locations identified on its lands. The Company will continue to build and drill its conventional opportunities.

Cordero has maintained one of the lowest cost structures in the Western Canada Sedimentary Basin. The low operating, royalty, transportation and overhead costs resulted in an average total cash cost of $12.98/boe in 2006. Over the year, unit operating costs decreased by 37 percent, transportation expenses fell by 14 percent, and general and administrative expenses improved by 41 percent. Corporate royalty rates averaged 16 percent in 2006, versus an average of 19 percent in 2005.

**OUTLOOK FOR 2007 AND BEYOND**

Cordero has established average production guidance for 2007 of 3,800-4,200 boe/d, with a capital budget of $50-$55 million. The Company remains focused on expanding its development potential and production base within the Malmo area. Combined with its exploratory opportunities, Cordero is well positioned to grow and add shareholder value in 2007 and beyond.

**ACKNOWLEDGEMENTS**

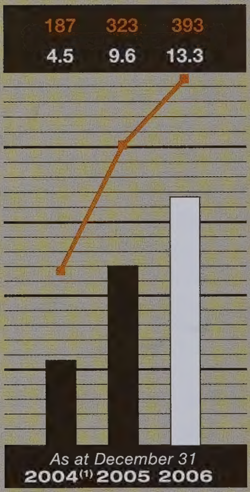
On behalf of the dedicated staff at Cordero, I extend thanks to the Board of Directors and shareholders for their continued support of our efforts. Our staff and management remain confident that your support will be rewarded as we look to build shareholder value from our significant exploration and development opportunities.

In closing, I thank our employees for their dedication and contributions over the past year.

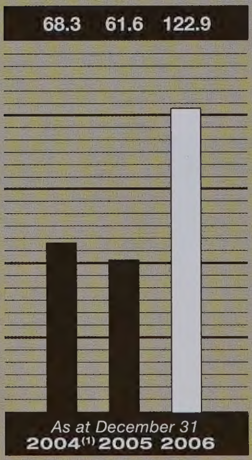
David V. Elgie
President and Chief Executive Officer
March 9, 2007

# EXPLORATION & OPERATIONS *review*

## Cordero continues to build its production, reserves and future opportunities.




**P+P RESERVES**
*(MMboe)*
*(boe per thousand shares)*




**UNDEVELOPED LAND**
*(000 net acres)*

### RESERVES

Proved plus probable reserves increased by 38 percent in 2006; while the reserve life index was 11.6 years at year-end 2006.

### PRODUCTION

Production growth will continue to be strong with planned drilling activities and the tie-in of behind-pipe volumes.

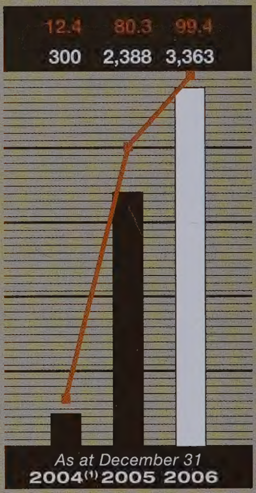
### LAND

A significant investment in undeveloped land was made in 2006 to build future opportunities.

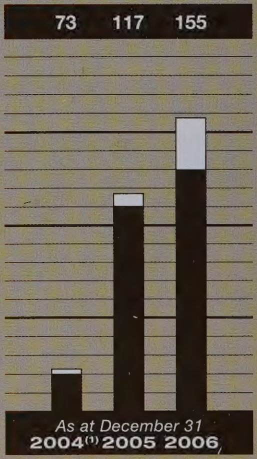
### INVENTORY

The Company continued to build its drilling inventory, significantly increasing future growth potential.

[1] Although Cordero commenced operations on April 30, 2005 the Plan of Arrangement through which Cordero was formed was effective December 31, 2004. A purchase price adjustment for all costs, net of revenues, between the effective date and April 29, 2005 was paid by Cordero.




**EXIT PRODUCTION**
*(boe/d)*
*(boe/d per million shares)*




**DRILLING LOCATIONS**
*exploration*
*development*

LAND ACQUISITIONS
2006
2005
Trutch, BC
Clear Hills, AB
BRITISH COLUMBIA & NORTHERN ALBERTA
TRUTCH,BC
CLEAR HILLS AREA, AB
Malmo, AB
CENTRAL ALBERTA
MALMO, AB
BUFFALO LAKE, AB

## Malmo, Alberta Development

Malmo was a key focus area for the Company during 2006. The original goal was to expand the production base at Malmo and evaluate the coalbed methane (CBM) potential of the Horseshoe Canyon coal formations.

The program's early success provided the encouragement to expand our land base in this core area. In addition, the Company tested new zones and applied new drilling technology. Cordero constructed and now operates significant compression and gathering facilities, establishing the Company as a dominant and low cost operator in the area.

Following the initial drilling success at Malmo, Cordero identified an opportunity to extend the CBM play to the south at Buffalo Lake. The Company confirmed the quality of the coals with initial vertical wells near the lake. Slant-hole drilling, followed by long-reach technology, was successfully tested to access reserves under the lake that were previously thought to be inaccessible. Cordero methodically acquired the available Crown, freehold and third-party acreage around and under Buffalo Lake to secure the resource potential on these lands.

The extended-reach program has been a significant milestone for the Company as it has allowed development of several areas where surface access is not only difficult, but also often out of reach with conventional slant-hole technology. This drilling experience has been invaluable as it has allowed the Company to develop proprietary in-house expertise. The results of the most recent program have shown that the Company is capable of drilling these types of wells to horizontal distances of 500-1,500 metres. Depending on the length, costs are expected to be $225,000-$500,000 per well. With the success of this program, Cordero has significantly expanded its drilling inventory.

In addition to the extended-reach program, the Company advanced its technical understanding of this complex CBM resource in other ways. The Company drilled two wells by applying an open-hole air drilling concept in the north Malmo area where in situ water is a concern in the upper Horseshoe Canyon intervals. Cordero ran surface casing down through the upper Horseshoe Canyon intervals and then contacted the lower Horseshoe Canyon section by air drilling. The production results were encouraging and air drilling saved approximately $130,000 per well by eliminating the need for nitrogen stimulation, while adding only $30,000 to the drilling cost. This has allowed the Company to begin delineating these northern reserves without the added complexity of operating a wet gathering system. Although the upper Horseshoe Canyon section in north Malmo is wet, it is gas-charged in the more traditional style of CBM production and therefore remains a future resource for the Company.

Cordero's land holdings in the Malmo area total

*50,580 acres*

The Company has also undertaken to complete higher density, lower porosity, thick carbonaceous shale intervals between the more productive Horseshoe Canyon coal intervals. This was attempted in two wells as a means of proving up the viability of this resource. The result was encouraging, generating flow rates of 30 mcf/d and 50 mcf/d, indicating that these carbonaceous shale sections are productive. The potential of these shales could be significant in adding to the long-term resource potential in the area. Through laboratory testing, the Company has determined that these carbonaceous shales are gas-charged, although with much lower porosity and permeability.

Cordero increased its 2006 capital program to accommodate management's strategy of expanding its opportunity base in the area during a low period of the commodity price cycle. To this end, the Company significantly expanded its land holdings in the area and by year-end 2006 had acquired an additional 19,700 acres (30.8 net sections).

In early 2007, the Company followed-up with further land acquisitions, increasing its overall undeveloped land holdings in the Malmo area to 21,800 acres. The Company has identified over 130 development drilling locations on its lands in the Malmo and Buffalo Lake areas, including many with stacked potential.

In conjunction with an active land acquisition and drilling program at Buffalo Lake, the Company is constructing significant pipeline and compression facilities. When completed, Cordero will have approximately 450 boe/d of additional stabilized production and will be the dominant shallow gas producer in this area.

## Conventional Exploration and Development

As part of its overall corporate strategy, Cordero has maintained an active exploration program outside of its core development in the Malmo area. The Company is exploring for higher risk, higher reward opportunities to balance its large inventory of CBM and Belly River opportunities at Malmo.

To this end, the Company is levering its extensive geological, engineering, geophysical, and commercial strengths, and has identified more than 25 net exploration and development locations on its lands. Some of these opportunities are at Goose River, Knopcik and Bigoray in Alberta and at Trutch and Tupper in British Columbia.

The 2006 results included the following highlights:

- Cordero's first well in the 2006/07winter program was drilled and cased in the Colorado area of northern Alberta. The well was subsequently completed and tested natural gas from two intervals. The Company drilled three additional exploration wells to the west of Colorado in the Clear and Rambling areas during the winter drilling season. All three wells were dry and abandoned.
- A highlight of the year was the commencement of production in December from a well at Karr, Alberta (Cordero 49 percent net). The well, producing from a Gething interval, is currently generating 190 net boe/d and work is underway to review options for a follow-up well.
- Cordero entered into a large farmout agreement in Bigoray in which the farmee paid an upfront fee of $2 million and provided a commitment to drill three wells for oil and natural gas targets in the Nisku formation. Notwithstanding that the drilling costs were paid by the farmee, the results of the first two wells of this farmin were disappointing. The third commitment well in the farmout has yet to be drilled. In addition, a well testing the Nordegg formation was drilled in the Bigoray area. The well was cased, but deemed non-commercial upon completion.
- At Bonanza, the Company completed a well in the Taylor Flat interval. Testing and reservoir evaluation is underway. Although a second up-hole zone is evident on logs, it will remain untested pending a definitive plan for the Taylor Flat interval.
- In 2006, Cordero continued its three-well drilling program in the Willesden Green area for Cardium oil. The wells were subsequently completed and equipped for production. Although the Company's land holdings are limited, the wells are performing as expected.
- At Tupper, British Columbia, the Company has four sections of land on trend with the tight gas Montney exploration play that has been unfolding. Although we are encouraged by the ongoing drilling activity and the recent increase in land sale prices in the area, we feel that the most appropriate strategy is to stay apprised of industry activity.

In addition to these exploration efforts, the Company is also successfully exploring within its core Malmo Buffalo Lake area, and will provide more details of this activity when appropriate.

# OPERATIONS STATISTICAL *review*

## UNDEVELOPED LAND

During 2006, the Company significantly expanded its land holdings in its key focus area, Malmo, acquiring an additional 19,700 acres (30.8 net sections). The Company continues to acquire prospective lands in the area and to build its drilling inventory, which currently stands at more than 130 locations.

Cordero is also focused on expanding its opportunity base for the future, acquiring approximately 67,000 net acres in the Company's exploration areas in 2006. These efforts have resulted in additional drilling locations in Goose River, Knopcik, Bigoray, Trutch and Tupper.

### UNDEVELOPED LAND HOLDINGS RECONCILIATION

| | *Acres* | |
|---|---|---|
| | *Gross* | *Net* |
| Opening – January 1, 2006 | 73,187 | 61,606 |
| Crown and freehold purchases | 81,605 | 80,355 |
| Property acquisitions/farm-ins | 6,915 | 6,546 |
| Developed land | (13,040) | (11,290) |
| Expiries | (17,752) | (14,347) |
| Closing – December 31, 2006 | 130,915 | 122,870 |
| Average working interest (%) | | 94% |

### LAND POSITION AT DECEMBER 31, 2006

| | *Undeveloped Acres* | | | *Developed Acres* | | | *Total Acres* | | |
|---|---|---|---|---|---|---|---|---|---|
| Region | *Gross* | *Net* | *Avg. W.I.* | *Gross* | *Net* | *Avg. W.I.* | *Gross* | *Net* | *Avg. W.I.* |
| Northwest Alberta | 63,488 | 61,015 | 96% | 7,040 | 6,049 | 86% | 70,528 | 67,064 | 95% |
| Central Alberta | 40,568 | 38,648 | 95% | 38,864 | 32,256 | 83% | 79,431 | 70,904 | 89% |
| Southern Alberta | 4,313 | 3,066 | 71% | 3,832 | 1,432 | 37% | 8,145 | 4,499 | 55% |
| British Columbia | 22,546 | 20,141 | 89% | 7,541 | 4,484 | 59% | 30,088 | 24,625 | 82% |
| **Total** | **130,915** | **122,870** | **94%** | **57,277** | **44,222** | **77%** | **188,192** | **167,092** | **89%** |

## DRILLING

| | 2006 | | 2005 | |
|---|---|---|---|---|
| Wells Drilled | *Gross* | *Net* | *Gross* | *Net* |
| Natural gas | 58 | 51.5 | 51 | 44.0 |
| Oil | 2 | 2.0 | 1 | 1.0 |
| Dry | 5 | 5.0 | 1 | 1.0 |
| Total | 65 | 58.5 | 53 | 46.0 |
| Average working interest (%) | | 90 | | 87 |
| Success rate (%) | | 91 | | 98 |

## ADVISORY

In the interests of providing Cordero shareholders and potential investors with information regarding the Company, including management's assessment of Cordero's future plans and operations, certain disclosures contained in this document are forward-looking. Forward-looking statements include, but are not limited to: Cordero's internal projections; expectations or beliefs concerning future operating results and various components thereof; the production and growth potential of its various assets; estimated total production and production growth for 2007 and beyond; the sources, deployment and allocation of expected capital in 2007 and beyond; the success of future development drilling prospects; business prospects and strategies of the Company; and anticipated financial performance. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend" or similar words suggesting future outcomes or statements regarding an outlook on, without limitation, commodity prices, estimates of future production, the estimated amounts and timing of capital expenditures, anticipated future debt levels and royalty rates, or other expectations, beliefs, plans, objectives, assumptions or statements about future events or performance. The forward-looking statements contained herein are as of March 9, 2007 and are subject to change after this date.

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information of the Company involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. These factors include, but are not limited to: the availability and price of energy commodities; the effects of competition and pricing pressures; risks and uncertainties involving the geology of crude oil and natural gas; operational risks in exploring for, developing and producing crude oil and natural gas; the uncertainty of estimates and projections relating to production, costs and expenses; shifts in market demands; risks inherent in the Company's marketing operations; industry overcapacity; the strength of the Canadian economy in general; currency and interest rate fluctuations; general global, economic and business conditions; changes in business strategies; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; various events which could disrupt operations, including severe weather conditions, technological changes, and the Company's anticipation of and success in managing the above risks; potential increases in maintenance expenditures; changes in laws and regulations, including trade, product transportation, fiscal, environmental and regulatory laws; and health, safety and environmental risks that may affect projected reserves and resources and anticipated earnings or assets. Statements relating to reserves are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

The Company cautions that the foregoing list of important factors is not exhaustive. The Company undertakes no obligation to update publicly or revise the forward-looking information provided in this document, whether as a result of new information, future events or otherwise, or the foregoing list of factors affecting this information, except as required by securities laws.

Production information is commonly reported in units of barrel of oil equivalent (boe) which may be misleading, particularly if used in isolation. For purposes of computing such units, barrel of oil equivalent amounts have been calculated using an energy equivalence conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6:1). The conversion ratio of 6:1 is based on an energy equivalency conversion method, which is primarily applicable at the burner tip. It does not represent equivalent wellhead value for the individual products.

In regards to finding, development and acquisition (FD&A) costs, the aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in the estimated future development costs generally will not reflect total FD&A costs related to reserve additions for that year.

## RESERVES DATA

Cordero reserves were independently evaluated by Sproule Associates Limited at December 31, 2006. Reserves included herein are stated on a Company gross basis (before royalty burdens) unless noted otherwise. All reserves information has been prepared in accordance with National Instrument 51-101 (NI 51-101). In addition to the information disclosed in this document, more detailed reserve information is included in Cordero's 2006 Renewal Annual Information Form which is available at www.sedar.com and www.corderoenergy.com.

## SUMMARY OF OIL AND GAS RESERVES AS AT DECEMBER 31, 2006

### FORECAST PRICES AND COSTS

| | *Conventional Natural Gas (associated and non-associated)* | | *Unconventional Natural Gas (CBM)* | | *Light and Medium Oil and Natural Gas Liquids* | | *Total Barrels of Oil Equivalent* | |
|---|---|---|---|---|---|---|---|---|
| Reserve Category | *Gross (MMcf)* | *Net (MMcf)* | *Gross (MMcf)* | *Net (MMcf)* | *Gross (Mbbl)* | *Net (Mbbl)* | *Gross (Mboe)* | *Net (Mboe)* |
| **Proved** | | | | | | | | |
| Developed producing | 7,349 | 6,041 | 20,306 | 17,310 | 156 | 134 | 4,765 | 4,025 |
| Developed non-producing | 5,105 | 4,212 | 2,970 | 2,482 | 25 | 19 | 1,371 | 1,135 |
| Undeveloped | 813 | 742 | 16,312 | 14,083 | – | – | 2,854 | 2,471 |
| **Total Proved** | **13,267** | **10,994** | **39,588** | **33,875** | **181** | **153** | **8,991** | **7,631** |
| Probable | 3,657 | 3,026 | 21,599 | 18,620 | 88 | 75 | 4,298 | 3,683 |
| **Total Proved Plus Probable** | **16,924** | **14,020** | **61,187** | **52,494** | **270** | **227** | **13,288** | **11,313** |

"Gross" represents Company interest before royalties.
"Net" represents Company interest after royalties.
Table may not add due to rounding.

## RESERVE LIFE INDEX (RLI)

Cordero's RLI is calculated based on annualized fourth quarter 2006 production of 3,150 boe/d.

| | *Proved* | *Proved Plus Probable* |
|---|---|---|
| Reserves – Mboe | 8,991 | 13,288 |
| 2006 fourth quarter annualized production – boe/d | 3,150 | 3,150 |
| RLI – years | 7.8 | 11.6 |

## NET PRESENT VALUE (NPV) SUMMARY

Cordero's crude oil, natural gas and natural gas liquids reserves were evaluated using Sproule's product price forecasts effective December 31, 2006 prior to the provision for interest, debt service charges and general and administrative expenses. It should not be assumed that the discounted future net production revenues estimated by Sproule represent the fair market value of the reserves.

## SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE AS AT DECEMBER 31, 2006

### FORECAST PRICES AND COSTS

| ($000s) | Before Income Taxes Discounted at (%/Year) | | | | | After Income Taxes Discounted at (%/Year) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Reserves Category* | *0* | *5* | *10* | *15* | *20* | *0* | *5* | *10* | *15* | *20* |
| Proved | | | | | | | | | | |
| Developed producing | 160,009 | 140,079 | 124,808 | 112,782 | 103,095 | 150,596 | 131,807 | 117,468 | 106,215 | 97,176 |
| Developed non-producing | 37,669 | 32,329 | 28,182 | 24,886 | 22,215 | 26,721 | 22,635 | 19,501 | 17,038 | 15,061 |
| Undeveloped | 61,403 | 45,742 | 34,563 | 26,347 | 20,155 | 45,384 | 32,704 | 23,744 | 17,220 | 12,347 |
| **Total Proved** | **259,081** | **218,150** | **187,553** | **164,015** | **145,465** | **222,700** | **187,145** | **160,713** | **140,473** | **124,584** |
| Probable | 132,150 | 92,252 | 67,376 | 51,032 | 39,815 | 97,130 | 66,790 | 48,103 | 35,939 | 27,652 |
| **Total Proved Plus Probable** | **391,230** | **310,402** | **254,929** | **215,047** | **185,280** | **319,830** | **253,935** | **208,815** | **176,411** | **152,236** |

Notes:

NPV of Future Net Revenue includes all resource income:

- Sale of oil, gas, by-product reserves;
- Processing third-party reserves; and
- Other income.

Table may not add due to rounding

Income Taxes

- Includes all resource income;
- Applies appropriate income tax calculations; and
- Includes prior tax pools.

## SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS AT DECEMBER 31, 2006

### FORECAST PRICES AND COSTS

| | *WTI Cushing Oklahoma* | *Edmonton Par Price 40° API* | *Cromer Medium 29.3° API* | *Natural Gas[1] AECO Gas Prices* | *Pentanes Plus FOB Field Gate* | *Butanes FOB Field Gate* | *Inflation Rate[2]* | *Exchange Rate[3]* |
|---|---|---|---|---|---|---|---|---|
| *Year* | *($US/bbl)* | *($Cdn/bbl)* | *($Cdn/ bbl)* | *($Cdn/ MMbtu)* | *($Cdn/bbl)* | *($Cdn/ bbl)* | *(%/Yr)* | *($US/ $Cdn)* |
| **Historical** | | | | | | | | |
| 2002 | 26.09 | 40.12 | 35.46 | 4.04 | 40.80 | 25.39 | 2.7 | 0.637 |
| 2003 | 31.14 | 43.23 | 37.53 | 6.66 | 44.16 | 34.55 | 2.5 | 0.716 |
| 2004 | 41.42 | 52.91 | 45.72 | 6.87 | 53.91 | 41.37 | 1.3 | 0.770 |
| 2005 | 56.46 | 69.29 | 57.36 | 8.58 | 69.13 | 45.20 | 1.6 | 0.826 |
| 2006 | 66.09 | 73.31 | 62.35 | 7.16 | 75.03 | 59.32 | 2.0 | 0.882 |
| **Forecast** | | | | | | | | |
| 2007 | 65.73 | 74.10 | 63.72 | 7.72 | 75.88 | 55.23 | 5.0 | 0.870 |
| 2008 | 68.82 | 77.62 | 66.75 | 8.59 | 79.49 | 57.85 | 4.0 | 0.870 |
| 2009 | 62.42 | 70.25 | 60.41 | 7.74 | 71.94 | 52.36 | 3.0 | 0.870 |
| 2010 | 58.37 | 65.56 | 56.38 | 7.55 | 67.14 | 48.87 | 2.0 | 0.870 |
| 2011 | 55.20 | 61.90 | 53.24 | 7.72 | 63.40 | 46.14 | 2.0 | 0.870 |
| Thereafter | Various Escalation Rates | | | | | | | |

(1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.

(2) Inflation rates for forecasting prices and costs.

(3) Exchange rates used to generate the benchmark reference prices in this table.

Notes:

- Product sale prices will reflect these reference prices with further adjustments for quality and transportation to point of sale.

## FINDING, DEVELOPMENT AND ACQUISITION (FD&A) COSTS

### FD&A – 2006

The FD&A calculation below is based on capital spent in 2006, changes to future capital and reserve additions for the calendar year 2006.

| | *Proved* | *Proved Plus Probable* |
|---|---|---|
| Change in future capital – $000s | | |
| December 31, 2006 | 36,366 | 47,111 |
| December 31, 2005 | (38,686) | (39,736) |
| 2006 capital – $000s | 85,538 | 85,538 |
| | 83,218 | 92,913 |
| Net reserve additions – Mboe | 2,872 | 4,806 |
| FD&A – $/boe | 28.98 | 19.33 |
| 2005 FD&A – $/boe | 13.94 | 13.07 |

Prior to the introduction of NI 51-101, FD&A costs were calculated without provision for the change in future capital. FD&A costs, based on this historical method, are presented below for comparative purposes only.

| | *Proved* | *Proved Plus Probable* |
|---|---|---|
| FD&A, excluding provision for change in future capital – $/boe | 29.78 | 17.80 |
| 2005 FD&A, excluding provision for change in future capital – $/boe | 9.59 | 10.02 |

### FD&A – INCEPTION-TO-DATE

The FD&A calculation below is based on capital spent from commencement of operations on April 30, 2005 to December 31, 2006. Pursuant to the plan of arrangement under which petroleum and natural gas interests were transferred to Cordero on April 29, 2005, Cordero was responsible for all costs net of revenues (purchase adjustment) incurred on Cordero lands from January 1, 2005 to April 29, 2005. The purchase adjustment amounted to $14.5 million and is included in the calculation below, along with capital expenditures, changes to future capital and reserve additions since inception.

| | *Proved* | *Proved Plus Probable* |
|---|---|---|
| Change in future capital – $000s | | |
| December 31, 2006 | 36,366 | 47,111 |
| December 31, 2004 | (13,229) | (22,664) |
| Inception-to-date capital – $000s | 141,700 | 141,700 |
| | 164,837 | 166,147 |
| Net reserve additions – Mboe | 8,728 | 10,410 |
| FD&A – $/boe | 18.89 | 15.96 |

FD&A costs, without provision for the change in future capital, for comparative purposes only, are as follows:

| | *Proved* | *Proved Plus Probable* |
|---|---|---|
| FD&A, excluding provision for change in future capital – $/boe | 16.24 | 13.61 |

## NET ASSET VALUE

The following net asset value (NAV) table shows what is normally referred to as a "produce-out" NAV calculation under which the current value of the Company's reserves would be produced at forecast future prices and costs. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time. The net asset value was $6.97/share using future prices at March 7, 2007 and assumptions as outlined in the table below. It should not be assumed that this NAV calculation represents the fair market value of the Company.

| *$ millions, unless otherwise stated* | *Sproule Forecast Price* |
|---|---|
| Net present value of pre-tax proved plus probable reserves discounted at 10% | 254.9 |
| Undeveloped land[1] | 18.4 |
| Net debt[2] | (31.7) |
| Net asset value | 241.6 |
| Option and warrant conversion proceeds[3] | 13.9 |
| | 255.5 |
| Diluted shares – million[3] | 37.6 |
| **Diluted NAV – $/share** | 6.79 |

[1] Management assumes a value of $150/acre.

[2] Includes working capital deficiency and long-term capital leases.

[3] Assumes conversion of all in-the-money options, warrants and performance shares.

## RESERVE REPLACEMENT RATIO

The reserve replacement ratio measures the Company's ability to replace its production based on proved and proved plus probable additions.

| *Reserve Replacement Ratio* | *Mboe* | *Replacement Ratio* |
|---|---|---|
| Production | 1,133 | |
| Net reserve additions | | |
| Proved | 2,872 | 2.5 |
| Proved plus probable | 4,806 | 4.2 |

## RECYCLE RATIO

The recycle ratio measures the Company's ability to reinvest the net cash generated from the production of each barrel of oil equivalent to add incremental reserves.

| | *Proved Plus Probable* | |
|---|---|---|
| | *Year-to-date[4]* | *Inception-to-date[5]* |
| Operating netback[6] – $/boe | 28.75 | 31.60 |
| Corporate netback[6] – $/boe | 25.97 | 28.52 |
| FD&A – $/boe | 19.33 | 15.96 |
| Operating recycle ratio | 1.5 | 2.0 |
| Corporate recycle ratio | 1.3 | 1.8 |

[4] January 1, 2006 to December 31, 2006.

[5] April 30, 2005 to December 31, 2006.

[6] Operating netback is calculated as average unit sales price less royalties, transportation costs and operating expenses and corporate netback further deducts administrative costs, net interest expense and current income tax. Neither measure has a standardized meaning prescribed prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other companies.

# DEPTH OF *responsibility*

## Cordero is strongly committed to creating a corporate culture with a high level of corporate accountability.

The framework and the environment are established and overseen by the Board of Directors. The Board guides the Company's corporate culture to achieve and maintain a record of regulatory compliance, environmental health and safety and responsible disclosure of information. These initiatives are supported by the Company's Standards of Business Conduct, the Disclosure, Confidentiality and Trading Policy and its internal control system, which are monitored and reviewed on a continuous basis.

### BOARD OF DIRECTORS

The Board of Directors demonstrates its dedication to the interests of the Company's shareholders and stakeholders through its adherence to currently accepted corporate governance standards and its commitment to best practices in all corporate matters. The Board holds regular meetings, making decisions based on analysis and recommendations of the following supporting committees: 1) Audit and Finance; 2) Technical; and 3) Human Resources and Governance. The Board and the Audit and Finance Committee meet independence requirements of current securities legislation. The performance of the Board, the three committees and individual Board members is assessed at least annually.

### CORPORATE GOVERNANCE

The Company's corporate governance practices have been developed under the guidance of the Board of Directors and comply with all applicable regulatory requirements, including National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Effective Corporate Governance*. In support of the Company's governance practices, it is the responsibility of all Cordero representatives complying with the Standards of Business Conduct to report any violation within the Company. The Company has a Whistleblower Policy and procedures to facilitate such reporting, which are available on the Company's website at www.corderoenregy.com.

### STANDARDS OF BUSINESS CONDUCT

The Company's Standards of Business Conduct reflect its commitment to integrity and ethical values and are the cornerstone of the Company's corporate framework. The standards clearly outline the expectations for ethical business conduct. All employees, directors and key consultants are required to read and acknowledge awareness and understanding of the policy, which can be easily accessed via the Company's website at www.corderoenergy.com.

### INTERNAL CONTROLS

As at December 31, 2006 the Company has evaluated the design of internal controls over financial reporting as well as the design and operating effectiveness of disclosure controls and procedures. The CEO and CFO have provided the required certifications and the Company has reported on the results of the evaluations in the 2006 MD&A. The Company will evaluate the operating effectiveness of internal controls over financial reporting within the timelines required by relevant securities legislation.

# FINANCIAL INFORMATION

## Selected Quarterly Information

| | 2006 | | | | 2005 | | |
|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2[1] |
| **Production** | | | | | | | |
| Natural gas (MMcf/d) | **18.2** | 18.7 | 17.5 | 16.8 | 12.1 | 8.5 | 6.6 |
| Oil and natural gas liquids (bbls/d) | **119** | 145 | 161 | 130 | 21 | 1 | 1 |
| Barrels of oil equivalent (boe/d) | **3,150** | 3,261 | 3,072 | 2,923 | 2,039 | 1,421 | 1,103 |
| **Financial ($000s except as indicated)** | | | | | | | |
| Petroleum and natural gas revenue | **11,693** | 10,811 | 10,521 | 11,874 | 12,637 | 6,919 | 2,875 |
| Revenue net of royalties | **9,999** | 9,117 | 9,150 | 9,600 | 10,029 | 5,710 | 2,359 |
| Funds flow from operations[3] | **7,776** | 6,967 | 7,178 | 7,498 | 8,175 | 4,268 | 1,440 |
| Per share basic ($) | **0.23** | 0.21 | 0.24 | 0.25 | 0.29 | 0.16 | 0.06 |
| Per share diluted ($) | **0.22** | 0.20 | 0.22 | 0.23 | 0.27 | 0.15 | 0.06 |
| Net earnings | **1,884** | 762 | 105 | 1,924 | 3,453 | 1,057 | 16 |
| Per share basic ($) | **0.06** | 0.02 | – | 0.06 | 0.12 | 0.04 | – |
| Per share diluted ($) | **0.05** | 0.02 | – | 0.06 | 0.11 | 0.04 | – |
| Total assets | **158,012** | 135,797 | 128,962 | 120,045 | 104,923 | 67,316 | 65,656 |
| Net capital expenditures | **24,323** | 14,348 | 14,207 | 32,659 | 24,788 | 11,610 | 5,219 |
| Net debt and working capital[3] (deficiency) | **(31,684)** | (25,074) | (17,536) | (29,296) | (4,068) | (121) | 7,176 |
| Shares outstanding (000s) | **33,823** | 32,623 | 32,623 | 29,725 | 29,725 | 27,125 | 27,125 |
| **Per unit information** | | | | | | | |
| Average realized prices | | | | | | | |
| Natural gas ($/Mcf) | **6.58** | 5.68 | 5.92 | 7.37 | 11.22 | 8.82 | 7.12 |
| Oil and natural gas liquids ($/bbl) | **62.76** | 77.33 | 75.99 | 65.30 | 70.12 | 51.13 | 41.40 |
| Oil equivalent ($/boe) | **40.34** | 36.03 | 37.63 | 45.14 | 67.38 | 52.93 | 42.73 |
| Operating expenses ($/boe) | **3.78** | 3.36 | 3.27 | 3.80 | 5.27 | 5.80 | 6.53 |
| Operating netback[4] ($/boe) | **29.58** | 25.94 | 28.31 | 31.51 | 46.82 | 36.57 | 27.40 |
| Net wells drilled | | | | | | | |
| Natural gas | **9.0** | 12.8 | 8.5 | 21.2 | 36.6 | – | 7.4 |
| Oil | **–** | – | – | 2.0 | 1.0 | – | – |
| Dry | **1.0** | 1.0 | – | 3.0 | 1.0 | – | – |
| Total | **10.0** | 13.8 | 8.5 | 26.2 | 38.6 | – | 7.4 |
| Net success rate (%) | **90** | 93 | 100 | 89 | 97 | – | 100 |

(1) Represents the 62-day period from commencement of operations April 30, 2005 to June 30, 2005.

(2) Funds flow from operations represents cash flow from operating activities before changes in operating working capital and asset retirement expenditures. It does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies.

(3) Net debt and working capital represents current assets less current liabilities, debt and capital lease obligations. It does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies.

(4) Operating netback represents average unit sales price less royalties, transportation costs and operating expenses. It does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies.

# QUARTERLY SUMMARY

**Q2 2005[1] –** Cordero commenced operations on April 30, 2005. At inception, production from the Company's coalbed methane and Belly River property in the Malmo area of central Alberta was 683 boe/d. Net earnings were negatively affected by high stock-based compensation expense and the resultant future income tax rate of 90 percent. Cordero was initially capitalized with a private placement of 1.9 million common shares for proceeds of $5.5 million and subsequent proceeds of $5.3 million from the exercise of 1.9 million warrants granted to former Resolute shareholders. Three million common shares were issued for proceeds of $14.0 million.

**Q3 2005 –** The improved financial results over the previous period reflected several factors including average production of 1,421 boe/d, slightly better commodity prices and lower per unit cash costs. In relation to the conventional exploration program, land and seismic expenditures were incurred in northwest Alberta and northeast British Columbia. The Company entered into a sale-leaseback transaction with a third party for the construction, sale and use of compression equipment, resulting in a total obligation of $1.9 million at the end of the period. The Company expanded its $12.0 million credit facility to $25.0 million.

**Q4 2005 –** Funds flow from operations[2] and net earnings were positively impacted by increased production volumes and higher commodity prices over the prior quarter. This quarter was the most capital-intensive of 2005 with 38.6 net wells drilled, completion work on 44 wells and compression installation for total net expenditures of $24.8 million. Cordero entered into two additional sale lease-back transactions increasing the total obligation to $5.1 million at the end of the period. The Company completed a share issuance for 2.6 million common shares for gross proceeds of $15.1 million.

**Q1 2006 –** Average daily production increased by 43 percent over the previous quarter. Funds flow from operations[2] was 9 percent lower than the fourth quarter of 2005 due to declining natural gas prices. Partially offsetting the lower revenues were lower unit operating costs which improved by 28 percent from the previous quarter. The Company drilled 17.5 net development wells and 8.7 net exploration wells at an 89 percent success rate. Tie-in and facilities work resulted in the addition of 24.1 net wells to the production profile, and over 18,000 net acres of land was purchased.

**Q2 2006 –** Declining natural gas prices exerted downward pressure on funds flow from operations[2] again this quarter. Positively impacting earnings were low operating costs and a royalty rate of 13 percent resulting from a gas cost allowance adjustment. Negatively impacting earnings were DD&A expense of $17.62/boe which reflected the industry-wide increase in the cost of materials and services, and high future income tax expense as a result of the federal tax rate reductions for 2008 through 2010. The Company drilled 8.5 net wells at a 100 percent success rate and acquired an interest in over 17,000 net acres of land for exploration prospects. In April, the credit facility was expanded to $46 million and in June, an equity issue was completed for 2.8 million common shares and total gross proceeds of $19.9 million.

**Q3 2006 –** Funds flow[2] was down by 3 percent from the previous quarter as a result of declining natural gas prices. Net capital expenditures included 1.0 net exploration well, 12.8 net development wells and more than 13,000 net undeveloped acres added to the Company's land inventory.

**Q4 2006 –** Natural gas prices improved slightly during the fourth quarter, resulting in a 12 percent increase in funds flow[2] compared to the third quarter. In November, the Company completed a flow-through common share issuance for 1.2 million shares and total gross proceeds of $10.6 million. In conjunction with the financing, Cordero increased its 2006 capital program from $65-68 million to $77-85 million, spending $85.5 million. Also during the quarter, the credit facility was expanded from $46.0 million to $55.0 million. Net capital expenditures included costs for pipelining underneath Buffalo Lake and the addition of more than 15,000 net acres of exploratory lands and almost 9,000 net acres in the Malmo area.

(1) Represents the 62-day period from commencement of operations April 30, 2005 to June 30, 2005.

(2) Funds flow from operations (funds flow) represents cash flow from operating activities before changes in operating working capital and asset retirement expenditures. It does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other companies.

# Health, Safety & environment

From its inception, Cordero has recognized the importance of a strong environmental protection focus in all its activities and the equally important need to provide a safe and healthy workplace for its employees and contractors. Cordero also acknowledges that responsible resource development requires active involvement with stakeholders potentially affected by our activities. Cordero has gone to great lengths to ensure stakeholder understanding and acceptance of its plans and is very active in selected community initiatives.

In 2006 Cordero made great strides in furthering the development of its Environment, Health and Safety (EH&S) programs. This progress was independently recognized in the awarding of a Certificate of Recognition (COR) through the Alberta government's Partnerships Program. In late 2006 the Company undertook an external third-party audit of its EH&S program and scored 91 percent, a substantial increase from its initial COR qualifying audit score of 83 percent.

The Company also continued to successfully participate in the Canadian Association of Petroleum Producers (CAPP) Stewardship Program at the Silver Stewardship level. The CAPP Stewardship Program tracks numerous indicators of environmental and safety performance of member companies and allows relative benchmarking and continuous improvement opportunities to enhance future performance.

In 2007 and beyond Cordero will endeavour to further build on its current EH&S program with the goal of ensuring that a high level of safety performance is maintained in our existing and new operating areas. The Company will continue to promote awareness of and adherence to all environmental and safety practices governed by regulatory requirements, industry guidelines and Company policies.

**2006 PERFORMANCE**

Continued to update and enhance the EH&S program to reflect current OH&S regulations and codes of practice.

Obtained a 91 percent score on third-party audit of EH&S program.

Maintained Silver Stewardship level with CAPP.

Continued to improve its Alberta EUB Liability Management Ratio (LMR), an indicator of wells and facilities liabilities versus producing well assets.

Regular safety meetings were integral to all operations in 2006 and included active management and executive participation.

Maintained active participation in a multi-stakeholder local community group in the Malmo area focused on improving energy industry and community relations.

# CORPORATE INFORMATION

**Board of Directors**

Brian K. Lemke
Chairman
Cordero Energy Inc.
Calgary, Alberta

Donald P. Driscoll (1)(3)
Corporate Director
Calgary, Alberta

David V. Elgie
President and Chief Executive Officer
Cordero Energy Inc.
Calgary, Alberta

S. Barry Jackson (2)(3)
Corporate Director
Calgary, Alberta

Douglas G. Manner (1)(2)
President and Chief Executive Officer
Westside Energy Corporation
Dallas, Texas

Robert R. Rooney (2)(3)
Corporate Director
Calgary, Alberta

Jeffrey T. Smith (1)(2)
Corporate Director
Calgary, Alberta

Philip C. Swift (1)(3)
Co-Chairman
ARC Financial Corporation
Calgary, Alberta

Member of the following Committees:
(1) Audit and Finance
(2) Technical
(3) Human Resources and Governance

**Officers**

David V. Elgie
President and Chief Executive Officer

Richard Gleasure
Vice President, Engineering
and Chief Operating Officer

C. Dean Setoguchi
Vice President
and Chief Financial Officer

**Head Office**

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**Banker**

Canadian Imperial Bank of Commerce

**Auditors**

Deloitte & Touche LLP
Calgary, Alberta

**Legal Counsel**

Parlee McLaws LLP
Calgary, Alberta

**Independent Reservoir Consultants**

Sproule Associates Ltd.
Calgary, Alberta

**Transfer Agent**

Valiant Trust Company
Calgary, Alberta

**Stock Exchange Listing**

Toronto Stock Exchange
Trading symbol: COR

Designed/produced by Merlin Edge Inc. www.merlinedge.com

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